

Message Text

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FM SECSTATE WASHDC

TO AMEMBASSY ANKARA

INFO AMEMBASSY NICOSIA

C O N F I D E N T I A L STATE 005301

E.O. 11652: GDS

TAGS: ETRD, CPRS, PFOR, CY, TU, US

SUBJECT: US PROPERTY CLAIMS IN CYPRUS AND TURKISH GSP
ELIGIBILITY.

1. RENEWED ROUND OF INTERAGENCY MEETINGS ON TURKISH GSP
ELIGIBILITY RESULTED IN AGREEMENT TO TAKE NO ACTION AT THIS
TIME TO REMOVE TURKEY FROM LIST, BUT TO CONTINUE REVIEW
WITH FURTHER RECONSIDERATION OF TURKISH ELIGIBILITY
PROBABLY AT END OF JANUARY.
2. CONSIDERABLE ATTENTION FOCUSED ON (A) CYPRUS MINES (CMC)
CASE AND (B) TFSC ATTITUDE TOWARD AMCITS OF ETHNIC GREEK-
CYPRIOT ORIGIN AND THEIR INELIGIBILITY TO REGISTER OWNER-
SHIP FORMALLY. REGARDING CMC, IT WAS AGREED FACTS WERE TOO
CONFUSED TO MAKE A JUDGMENT AT THIS TIME. IN EFFORT TO
CLARIFY SITUATION, DEPARTMENT RESPONDED TO RECENT LETTER FROM
CYPRUS MINES PRESIDENT (PARA 3 BELOW) BY PROPOSING MEETING
WITH COMPANY OFFICIALS TO REVIEW FACTS AND DECIDE WHAT STEPS
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MIGHT BE TAKEN IN CASE. CMC PRESIDENT LIEBER PREFERRED THAT

WE AWAIT THIS MEETING, AND RECEIPT OF BACKGROUND DOCUMENTS, BEFORE CONTACTING TURKS FOR FURTHER CLARIFICATION OF THEIR REMARKS ON ALLEGED "DEAL" WITH CMC. DOCUMENTS WERE PROMISED

NEXT WEEK, AND MEETING SCHEDULED BETWEEN CMC OFFICIAL ALAN BAKEWELL (FORMER CYPRUS MANAGER FOR CMC) AND MARK FELDMAN, DEPUTY LEGAL ADVISER, TO TAKE PLACE JANUARY 14TH. COPIES OF CMC DOCUMENTS AND MEMCONS OF DEPT. PHONE CONVERSATIONS WITH LIEBER AND BAKEWELL WILL BE POUCHED.

3. TEXT OF LIEBER LETTER TO DEPARTMENT FOLLOWS:

BEGIN TEXT: MR. JAMES MORTON OF THE DEPARTMENT OF STATE AND MR. FRANK MORESCA OF THE TREASURY DEPARTMENT HAVE REQUESTED ME TO FURNISH YOU A REPORT CONCERNING THE AMOUNT OF DAMAGES SUSTAINED BY CYPRUS MINES CORPORATION AS A RESULT OF THE TURKISH INCURSION INTO THE ISLAND OF CYPRUS IN 1974. THIS LETTER IS INTENDED TO CONSTITUTE THE REPORT REQUESTED BY YOU TOGETHER WITH A STATEMENT OF SOME ADDITIONAL FACTS LEADING UP TO THE PRESENT POSITION OF THIS CORPORATION VIS-A-VIS THE TURKISH GOVERNMENT.

AS YOU KNOW, CYPRUS MINES CORPORATION ("CMC") IS A PUBLICLY OWNED NEW YORK CORPORATION WHICH, UNTIL 1974, HAD OPERATED COPPER MINES AND ASSOCIATED TREATMENT AND SHIPPING FACILITIES ON THE ISLAND OF CYPRUS FOR MANY YEARS. THESE OPERATIONS WERE CONDUCTED UNDER LEASEHOLDS ISSUED BY THE CYPRIOT GOVERNMENT. AFTER THE TURKISH INCURSION IN 1974, THE LINE SEPARATING THE TURKISH CYPRIOT SECTOR FROM THE GREEK CYPRIOT SECTOR ALSO DIVIDED CMC'S OPERATIONS. CMC'S MINES WERE LOCATED WITHIN GREEK CYPRIOT TERRITORY, AND THE MILLING FACILITIES AND THE PORT, INCLUDING STOCKPILES OF PYRITES, COPPER CONCENTRATES AND COPPER PRECIPITATES, WERE LOCATED WITHIN TURKISH OCCUPIED TERRITORY. AS A RESULT OF THIS SITUATION, CMC'S OPERATIONS ON THE ISLAND WERE TERMINATED IN 1974, AND THEREAFTER ITS OPERATIONS ON THE ISLAND HAVE SIMPLY BEEN TO TAKE SUCH STEPS AS WERE NECESSARY TO WIND UP ITS AFFAIRS AND SALVAGE ITS EQUIPMENT, SUPPLIES AND OTHER ASSETS TO THE EXTENT IT WAS ABLE TO DO SO.

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COMMENCING IN OCTOBER OF 1974 THE TURKISH OCCUPYING FORCES EMBARKED UPON A PROGRAM OF TAKING CMC'S STOCKPILED PYRITES WITHOUT OUR EXPRESS OR IMPLIED CONSENT AND WITHOUT ANY PAYMENT OR OFFER OF PAYMENT OF ANY KIND BEING MADE TO CMC. ALTHOUGH CMC DOES NOT HAVE FULL INFORMATION AS TO THE QUANTITY OF STOCKPILED PYRITES SO TAKEN, WE ESTIMATE THAT APPROXIMATELY 320,000 TONS OF SUCH PYRITES HAVE BEEN TAKEN THROUGH NOVEMBER 20, 1975. THIS TONNAGE WOULD HAVE A

FAIR MARKET VALUE OF APPROXIMATELY \$2,198,000.

THE TURKISH OCCUPYING FORCES HAVE ALSO PREVENTED US FROM SHIPPING ADDITIONAL TONNAGES OF PYRITES, COPPER-CONTAINING PRODUCTS AND COARSE ORE HAVING A MARKET VALUE OF APPROXI-

MATELY \$3,654,000. THE TOTAL AMOUNT WHICH WE ARE PRESENTLY CLAIMING AGAINST THE TURKISH GOVERNMENT IS THEREFORE \$5,852,000. WE ASSUME THAT THE TURKISH AUTHORITIES WILL ATTEMPT TO "OFF-SET" THIS AMOUNT BY ASSERTING HIGHLY DUBIOUS CLAIMS FOR (I) THE GUARDING OF CMC PROPERTY AND (II) DAMAGE TO ORANGE GROVES IN LEFKA ALLEGEDLY RESULTING FROM CMC'S MINING OPERATIONS DURING THE LAST 10 YEARS. IT IS THE POSITION OF THIS CORPORATION THAT ANY SUCH CLAIMS HAVE NO VALIDITY.

THE ACTIONS OF THE TURKISH OCCUPYING FORCES HAVE RESULTED IN DAMAGES TO THIS CORPORATION SIGNIFICANTLY GREATER THAN THOSE INDICATED ABOVE, AND CMC RESERVES THE RIGHT TO CLAIM ADDITIONAL DAMAGES FROM THE TURKISH AUTHORITIES. THE TURKISH GOVERNMENT HAS MADE NO OFFER TO REIMBURSE THIS CORPORATION FOR ANY DAMAGES, WHETHER BY WAY OF CONFERENCE, WRITTEN OFFER OR OTHERWISE.

IT IS RESPECTFULLY REQUESTED THAT THE STATE DEPARTMENT TAKE SUCH ACTION AS IS APPROPRIATE TO ASSIST US IN OBTAINING FAIR AND JUST COMPENSATION FOR THE DAMAGES WE HAVE SUSTAINED. END TEXT. KISSINGER

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